HCS HB 1 -- PUBLIC RETIREMENT SYSTEMS (Viebrock)

COMMITTEE OF ORIGIN: Committee on Retirement

This substitute changes the laws regarding public retirement systems.

RETIREMENT SYSTEM AUDITS (Sections 29.212, 56.809, 70.605, 104.190, 104.480, and 169.020, RSMo)

The State Auditor is allowed to audit any retirement system established by the state or any political subdivision every three years or more frequently as otherwise required by law.

2010 STATE EMPLOYEE RETIREMENT INCENTIVE PROGRAM (Sections 104.405 - 104.406)

The 2010 State Employee Retirement Incentive Program is established which allows any employee who has not been a retiree of the Missouri State Employees' Retirement System (MOSERS), who is eligible to receive a normal or life annuity and terminates employment after reaching normal eligibility and becomes a retiree within 60 days of the termination whose annuity commences on or after September 1, 2010, but no later than December 1, 2010, to be eligible to receive a years of service incentive benefit.

For eligible employees, with at least 10 years of creditable service, the years of service incentive benefit will be an amount equal to $1,000 for each year of creditable service up to a maximum of 20 years of creditable service. The state, through the Office of Administration, will pay the benefit to the retiree or the retiree's beneficiary in five equal installments beginning in January 2011 and each September thereafter until all five equal installments have been paid. Any accrued annual leave remaining will also be paid to the retiree or the retiree's beneficiary in five equal installments. An employee electing to take this retirement incentive is prohibited from any future employment with a state department.

The Office of Administration must submit an interim report to the General Assembly by December 31, 2010, and an annual update for four years thereafter regarding the number of program participants, the cost of the program, the number of positions not filled under the program, and the number of vacated positions that have been filled. MOSERS must submit a report to the Commissioner of the Office of Administration by January 31, 2011, regarding the number of state employees eligible to retire and the actual number of retirements under this program. The commissioner must then report this information to the Governor and General Assembly by March 31, 2011, along with a cost and savings analysis, the payroll reduction amount, and the number of positions that are core cut as a result of these retirements.

MISSOURI STATE EMPLOYEES' RETIREMENT SYSTEM (Sections 104.1091, 476.521, 476.529, 476.527, and Section 1)

The substitute:

(1) Requires any person who first becomes a state employee on or after February 1, 2011, to be a member of the Missouri State Employees' Retirement System (MOSERS) Year 2000 Plan subject to the provisions of Section 104.1091. To be eligible for normal retirement under this plan, an employee must be at least 65 years of age and have completed at least five years of credited service or be at least 55 years of age with the sum of the member's age and credited service equaling at least 84. A uniformed member of the State Highway Patrol who is subject to the mandatory retirement provisions of Section 104.081 or a corrections officer will be required to be at least 60 years of age or at least 55 years of age with five years of credited service. A member of the General Assembly, who becomes a member of the system for the first time on or after January 1, 2011, must be at least 65 years of age and have completed at least three full biennial assemblies or be at least 55 years of age with the sum of the member's age and credited service equaling at least 84. A statewide elected official must be at least 65 years of age and have completed at least five years of credited service or be at least 55 years of age with the sum of the official's age and credited service equaling at least 84. A vested former member must be at least 65 years of age and have completed at least five years of credited service. An employee, except for a uniformed member of the patrol or a corrections officer, will be eligible for retirement at 60 years of age or at 55 years of age with at least five years of credited service. An employee must work for the state for five years in order to be vested in the system. A member of this plan must contribute 4% of his or her pay to the system. A member will not be able to purchase credit in the system for his or her previous non-federal, full-time public employment or transfer credit from another public retirement system. The employee contribution rate, the benefits under the Year 2000 Plan, and any other provision of the Year 2000 Plan may be altered, amended, increased, decreased, or repealed, but the change will only apply to service or interest credits after the effective date of the change. An employee under the plan will not be eligible for the backdrop option;

(2) Requires any person who first becomes a judge on or after February 1, 2011, to be at least 65 years of age and have at least 12 years of service or be at least 62 years of age and have

at least 20 years of service before he or she is eligible for normal retirement benefits under the Judicial Plan with MOSERS. If a judge retires at 67 years of age with less than 12 years of service or at 60 years of age with less than 20 years of service, his or her retirement compensation will be reduced proportionately. A judge in this plan will be required to contribute 4% of his or her compensation to the system. A judge will not be able to purchase credit in the retirement plan for his or her previous non-federal, full-time public employment or military service. A judge under this plan who continues to work after his or her normal retirement date will not have cost-of-living increases added to his or her retirement compensation for the period of time between his or her eligibility for retirement and the actual retirement date. When a retired judge under this plan dies, his or her beneficiary will not receive an amount equal to 50% of the judge's retirement compensation. Instead, he or she will make a choice at retirement regarding benefit payment options including the amount received by the beneficiary. The employee contribution rate, the benefits under the plan, and any other provision of the plan may be altered, amended, increased, decreased, or repealed, but the change will only apply to service or interest credits after the effective date of the change;

(3) Prohibits a retired judge who becomes employed on or after February 1, 2011, as an employee eligible to participate in the MOSERS Year 2000 Plan from receiving judicial retirement benefits while employed. Any judge who serves as a judge while receiving judicial retirement is prohibited from receiving judicial retirement while serving as a judge. A judge who serves as a senior judge or senior commissioner while receiving judicial retirement will continue to receive judicial retirement and additional credit and salary for the service; and

(4) Prohibits any person within the second degree of consanguinity or affinity of a current board member of MOSERS from being employed by, volunteering with, acting as a lobbyist or consultant for, or otherwise being engaged in any employment activity with MOSERS.

PUBLIC RETIREMENT PLAN INVESTMENTS IN FOREIGN COMPANIES (Section 105.676)

Any asset manager who invests in international equities of publicly-traded foreign companies on behalf of any retirement system established by the State of Missouri or any political subdivision is required to attest semiannually in a written statement to the respective retirement board that the manager does not hold on behalf of the plan the stock of any foreign company that, according to a reputable independent research provider specializing in global security risk assessment, has active business ties to any country designated by the United States Department of State as a state sponsor of terrorism that is nonhumanitarian in nature.

These provisions will expire with respect to each individual country if the President of the United States affirmatively and unambiguously states by means of, but not limited to, enacted legislation, executive order, or written certification that the United States Department of State no longer recognizes the country as a state sponsor of terrorism.

STATE EMPLOYEE DEFERRED COMPENSATION PROGRAM (Sections 105.915 and 105.927)

Beginning September 1, 2010, the substitute makes enrollment in the State Deferred Compensation Program automatic for each eligible new employee hired, except an employee of a state college or university. Contributions to the program will be effective on or after the first day of the month following the date of hire, and the contributions must be at least $25 per month. An employee may change his or her contribution amount or opt out of the program at any time. The contribution rate for employees automatically enrolled will automatically adjust based on any increases in the state matching contribution, currently $35 per month.

A member's surviving spouse will automatically be designated as the primary beneficiary, unless the surviving spouse consented in writing to allow the participating member to designate someone else as the beneficiary. The automatic beneficiary designation does not apply to designations made prior to September 1, 2010.

The State Treasurer may credit funds for qualified participants through a local payroll system.

The substitute contains an emergency clause for the provisions regarding the 2010 State Employee Retirement Incentive Program.

FISCAL NOTE: Estimated Income on General Revenue Fund of Less than $16,295,884 in FY 2011, Less than $24,211,078 in FY 2012, and Less than $31,904,533 in FY 2013. Estimated Income on Other State Funds of Less than $3,723,381 in FY 2011, Less than $6,466,800 in FY 2012, and Less than $9,221,676 in FY 2013.